

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 598 - HB 850

February 19, 2019

SUMMARY OF BILL: Designates any facility on the campus of a public institution of higher education that is designed and used for sporting events sanctioned by the institution a “sports authority facility” for purposes of consumption of alcoholic beverages on the premises.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$15,000/One-Time/ABC Fund
\$100,000/Recurring/ABC Fund
\$1,282,200/Recurring/General Fund

Increase Local Revenue - \$997,800/Recurring/Permissive

Assumptions:

- This legislation applies to each facility on the campus of a public institution of higher education in Tennessee which is used for sporting events sanctioned by the institution.
- The Tennessee Higher Education Commission reports that there are approximately 50 facilities in Tennessee that would meet the definition of a sports authority facility, as defined in this legislation.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- A one-time increase in state revenue to the ABC of \$15,000 (50 x \$300).
- A recurring increase in state revenue to the ABC of \$100,000 (50 x \$2,000).
- No additional personnel or resources will be required by the ABC.
- Local privilege tax is estimated to be \$1,500 annually. Any increase in local government expenditures for collecting local privilege taxes is estimated to be not significant.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate in Tennessee is 2.50 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.

- It is assumed that these establishments will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 50 percent for larger than average.
- Given the size of these particular venues, the recurring increase in sales is estimated to be 150 percent of the average taxable base, or \$180,000 per year.
- The recurring increase in state revenue to the General Fund is estimated to be approximately \$1,282,213 $\{[(\$180,000 \times 7.0\%) - (\$180,000 \times 7.0\% \times 3.617\%) + (\$180,000 \times 15.0\% \times 50.0\%)] \times 50\}$.
- The recurring increase in local revenue is estimated to be approximately \$997,787 $\{[\$1,500 + (\$180,000 \times 2.50\%) + (\$180,000 \times 7.0\% \times 3.617\%) + (\$180,000 \times 15.0\% \times 50.0\%)] \times 50\}$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb